I. Meaning and Nature of Controlling

1. Meaning of Controlling Controlling is a fundamental managerial function that involves ensuring that activities in an organisation are performed according to the plans.

It acts as a monitoring mechanism to track the progress of various activities and ensures that they conform to the standards set in advance.

The primary aim of controlling is to ensure that organisational resources are being utilised effectively and efficiently for the achievement of predetermined goals.

Effective control allows a manager to seek planned results from subordinates and manage situations intelligently by taking corrective action before damage is done to the business.

2. Nature of Controlling

- **Goal-Oriented Function:** Controlling is directly linked to the achievement of organisational objectives by ensuring performance stays on track.
- **Pervasive Function:** It is not restricted to any one level of management; it is required at all levels—top, middle, and lower—wherever a manager is responsible for activities.
- **Continuous Process:** Controlling is not a one-time activity but a continuous one that keeps the management cycle moving back to the planning function.
- **Both Backward and Forward-Looking:** It is backward-looking because it reviews past activities to find deviations (like a post-mortem), and it is forward-looking because the corrective actions taken aim to improve future performance.
- **Completes the Management Cycle:** While often seen as the last function, it actually brings the process full circle by providing information that improves planning in the next cycle.

II. Importance of Controlling

Controlling is an indispensable function because, without it, even the best-laid plans can go awry. A robust control system offers the following benefits:

1. **Accomplishing Organisational Goals:** It measures progress toward the intended objectives, identifies deviations, and points toward the necessary corrective actions to keep the organisation on the right track.
2. **Judging Accuracy of Standards:** An efficient control system allows management to verify if the original standards set during planning were objective and accurate. It helps in reviewing and revising these standards as the internal or external environment changes.
3. **Making Efficient Use of Resources:** By exercising control, managers can reduce wastage and spoilage of resources. It ensures that every activity is performed according to predetermined norms, leading to the most effective deployment of human and material resources.
4. **Improving Employee Motivation:** A good control system ensures employees know in advance what is expected of them and the standards by which they will be appraised. This clarity motivates them to perform better.
5. **Ensuring Order and Discipline:** Controlling creates an atmosphere of order and discipline, helping to minimise dishonest behaviour by keeping a close watch on employee activities.

6. **Facilitating Coordination in Action:** It provides a common direction to all departmental efforts. Since every employee and department is governed by well-coordinated standards, the overall organisational objectives are easier to accomplish.

III. Relationship Between Planning and Controlling

Planning and controlling are often described as the "inseparable twins" of management. Their relationship is deeply symbiotic and can be understood through the following points:

1. **Planning as a Prerequisite:** Controlling cannot be accomplished without planning. Planning provides the standards of performance that serve as the basis for controlling. If there are no predetermined standards or plans, a manager has nothing to monitor or control.

2. **Controlling Provides Meaning to Planning:** A plan becomes fruitful only when it is implemented and monitored. Controlling discovers deviations and initiates corrective measures to ensure events conform to the plans. Without controlling, planning is a meaningless exercise.

3. **Prescriptive vs. Evaluative:** Planning is an intellectual process of thinking and articulation to prescribe a course of action; it is prescriptive. Controlling, on the other hand, checks whether those decisions were translated into desired actions; it is evaluative.

4. **The Time Dimension:** Planning is forward-looking because plans are prepared for the future based on forecasts. Controlling is backward-looking as it analyzes past activities to find deviations. However, planning is guided by past experiences (backward-looking), and control aims to improve future performance (forward-looking), making both functions simultaneously backward and forward-looking.

5. **Reinforcement:** Planning based on facts makes controlling effective, while controlling improves future planning by providing vital information derived from past experiences.

IV. Steps in the Controlling Process

The process of controlling is a systematic one involving five logical steps:

Step 1: Setting Performance Standards The process begins with establishing standards, which are the criteria or benchmarks against which actual performance is measured.

- **Quantitative Standards:** Expressed in numerical terms, such as cost to be incurred, revenue to be earned, units to be produced, or time spent on a task.

- **Qualitative Standards:** Expressed in non-numerical terms, such as improving employee motivation or customer satisfaction. Managers should try to define these in a way that makes them as measurable as possible,

such as tracking "customer wait time" as a proxy for satisfaction.

- **Flexibility:** Standards must be flexible enough to be modified if the business environment changes.

Step 2: Measurement of Actual Performance Once standards are set, actual performance must be measured in an objective and reliable manner.

- **Techniques:** These include personal observation, sample checking, and performance reports.

- **Consistency:** Performance should be measured in the same units as the standards to make comparison easier.

- **Timing:** Measurement should ideally happen during the performance (e.g., checking gas levels for safety) as well as after the task is completed. In large firms, sample checking is often used instead of checking every single item.

Step 3: Comparing Actual Performance with Standards This step involves comparing the measured results against the established standards to reveal deviations. Comparison is straightforward when standards are quantitative.

Step 4: Analysing Deviations Not every deviation requires management's attention. It is essential to determine an acceptable range of deviations. Two critical techniques are used here:

- **Critical Point Control:** Focuses on Key Result Areas (KRAs) that are critical to the success of an organisation. If something goes wrong at these critical points, the entire organisation suffers (e.g., a 5% increase in labour cost is more critical than a 15% increase in postage).

- **Management by Exception (Control by Exception):** Based on the belief that "an attempt to control everything results in controlling nothing". Only significant deviations that go beyond the permissible limit should be reported to top management.

- **Identifying Causes:** Managers must identify why the deviation occurred, whether due to unrealistic standards, defective processes, or external factors.

Step 5: Taking Corrective Action The final step is taking action so that deviations do not occur again.

- No action is needed if deviations are within acceptable limits.
- Actions may include training employees, assigning additional resources, or allowing overtime.

- If the deviation cannot be corrected through managerial action, the standards themselves may need to be revised.